



OPPORTUNITIES FROM CHINA'S ACCESSION TO THE WTO

California

The U.S.-China Bilateral Agreement on China's accession to the WTO opens an important market to California's exports, benefitting key industries and creating export and employment opportunities. The importance of exports to China and the benefits of the Agreement for California and its key industries are outlined below.

Export Profile

China is California's 12th largest export market. From 1993 to 1998, California's exports to China grew faster than its exports to the world. California's merchandise exports to China in 1998 totaled \$2.5 billion.

During 1993-98, California's exports to China rose by \$817 million, an increase of 50 percent.

Most California export categories registered triple-digit growth in sales to China over the 1993-98 period.

Several California metro areas posted large dollar gains in exports to China during 1993-98. This group included San Jose (up \$513 million), Los Angeles-Long Beach (up \$87 million), Oakland (up \$62 million), Orange County (up \$59 million), and San Diego (up \$51 million).

California metro areas that recorded large 1993-98 percentage gains in exports to China included Bakersfield (4,245 percent increase), Fresno (2,983 percent), Santa Cruz-Watsonville (839 percent), and Salinas (743 percent).

Sector Snapshot

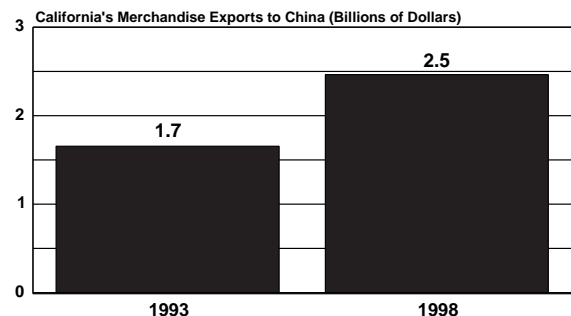
U.S. farmers no longer will have to compete with export subsidies on China's agricultural products. China also has agreed to eliminate sanitary and phytosanitary barriers that are not based on sound scientific evidence, such as the restrictions on meat, poultry, citrus, and wheat. In addition, exporters will benefit from broadening the right to import and distribute imported products in China and from tariff cuts on a wide range of products including vegetables, fruits including grapes and citrus, tree nuts, dairy products, beef, and wine. China also will end its import monopoly for bulk commodities and establish large low-duty tariff-rate quotas for cotton and rice.

As a result of the Agreement, California's key export sectors benefit from reduced tariffs in China, strong intellectual property protection and improved trade rules protecting U.S. industries against unfair trade practices and removing burdensome obstacles, including:

- Tariff elimination for information technology products; beer, furniture, toys and game products.
- Major tariff reductions for civil aircraft, paper and wood products, scientific and measuring instruments, medical equipment, optical fibers and fiber optic cables, pumps and compressors, power generation equipment, agricultural and construction equipment, glass fibers, food processing machinery, environmental technology equipment, recorded media, and air conditioning equipment.
- Low tariffs for most chemicals at WTO harmonization rates, including pharmaceuticals.
- Elimination of import restrictions for products such as construction and medical equipment.

The agreement will open the market for a wide range of services, including telecommunications, banking, insurance, financial, professional, hotel, restaurant, tourism, motion pictures, video distribution, software entertainment distribution, periodicals distribution, business, computer, environmental, and distribution and related services.

California Increased Its Exports to China by Almost 50 Percent from 1993 to 1998



Source: U.S. Department of Commerce, Exporter Location Series.

Key Industry Benefits

Information Technology

China will eliminate its duties for all information technology products, as defined by the WTO Information Technology Agreement (ITA), by January 1, 2005. These products include electronics, computers, fiber optic cable, and other telecommunications equipment. The current duties on information technology products average over 13 percent. All quotas on ITA products will be eliminated at the time of China's WTO accession. Within four years of its accession into the WTO, China will eliminate its tendering requirements for non-government purchases of ITA products. Trading and distribution rights for ITA products will be phased in over three years. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign ITA businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax. China has agreed that it will not condition import or investment approvals on technology transfer, or on conducting research and development in China.

Civil Aircraft and Parts

This sector includes civil aircraft and parts listed in Annex I of the Agreement on Civil Aircraft. China will reduce tariffs on all items in the Annex from an average rate of 14.1 percent to an average bound rate of 8.1 percent. Most reductions will be completed by January 1, 2002. At the time of WTO accession, China will eliminate all quotas and licenses for civil aircraft products. Trading and distribution rights for civil aircraft products will be phased in over three years. China has agreed that it will not condition import or investment approvals on technology transfer, or on conducting research and development in China. China has agreed that importation and investment will not be conditioned on providing offsets or local content.

Scientific and Measuring Instruments

China will reduce its tariffs on scientific instruments from an average of 12.1 percent to 6.1 percent. Reductions will commence upon accession and will be completed by January 1, 2003, in equal annual cuts. If WTO members agree to and adopt the medical and scientific equipment sectoral initiative that originated in APEC, China has committed to join this initiative and eliminate its tariffs on these products. Tendering requirements for non-government purchases of scientific instruments will be eliminated within four years of China's WTO accession. Trading and distribution rights for scientific instruments will be phased in over three years. China has agreed to implement the Agreement on Trade-Related Aspects of Intellectual Property Rights upon accession to the WTO.

Paper

China will reduce its tariffs on paper and paper products to an average of 5.4 percent. Reductions will begin upon accession and will be fully implemented by January 1, 2005, in annual cuts with significant initial tariff cuts on priority paper products. Tariffs on U.S. priority paper products will reach 2 percent or 5 percent by 2004. If WTO members agree to and adopt the forest products sectoral initiative that originated in APEC, China has committed to join this initiative and eliminate its tariffs on paper and other forest products. For paper products, China has agreed to provide treatment to the United States on par with China's preferential programs for other countries. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign paper businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax. Trading and distribution rights for paper products will be phased in over three years.

Cotton

China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1 percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In calendar year 1999, China imported 46,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

Dairy Products

China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.

Fruit

Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. In addition, as a result of the 1999 U.S.-China Agreement on Agricultural Cooperation, China committed to lifting its import ban on California citrus. Tariff reductions of up to 57 percent are scheduled for citrus and other fruit

juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent; tariffs on plums, raisins, and grapes will fall from 40 percent to 10–13 percent; and the tariff on wine will fall from 65 percent to 20 percent.

Rice

China is the world's largest and one of the lowest cost rice producers. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process thereby opening up opportunities for U.S. exporters. China's commitment to end export subsidies will reduce its price competitiveness in other Asian markets, such as Japan and Korea. With respect to its own market, China committed to a nominal 1 percent tariff on all rice imported within a tariff-rate quota (TRQ). The TRQ on rice will be initially set at 2.66 million metric tons and grow to 5.32 million metric tons by 2004. Half the TRQ will be for short- and medium-grain rice, with the share for private traders set at 50 percent, and half the TRQ will be for long-grain rice, with the share for private traders set at 10 percent. In calendar year 1999, China imported around 168,000 metric tons of rice from all countries.

Tree Nuts

Under its WTO accession agreement, China's tariffs on key tree nuts will drop by 33–71 percent by 2004. Specific reductions include: shelled almonds and hazelnuts (30 percent to 10 percent); pistachios (35 percent to 10 percent); shelled and canned walnuts (30 percent to 20 percent); and other canned nuts (30 percent to 13 percent).

Vegetables

Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

Professional Services

China will provide foreign accounting firms with market access and CPA licenses on a national treatment basis. Foreign architectural and engineering firms can establish majority-owned joint ventures or provide cross-border services in cooperation with Chinese professional organizations. Foreign law firms can establish profit-making representative offices to provide advice on international conventions and practices as well as on the law of other WTO members in which the lawyer is

licensed. Upon accession, foreign management consulting firms can establish profit-making offices or a joint venture with a majority equity share, and in five years, they can establish a wholly owned subsidiary. China has also agreed to grandfather the existing level of market access already in effect at the time of China's accession, for U.S. companies currently operating in China.

Audio-Visual Services

China will allow 20 films to be imported on a revenue-sharing basis in each of the three years after accession. U.S. firms can form joint ventures to distribute videos, software entertainment, and sound recordings and to own and operate cinemas. China has also agreed to grandfather the existing level of market access already in effect at the time of China's accession for U.S. companies currently operating in China.

Banking Services

Foreign banks will be able to conduct local currency business with Chinese enterprises starting two years after accession and with Chinese individuals from five years after accession. China has committed to full market access in five years for U.S. banks.

Environmental Services

For key environmental services, China will allow foreign service suppliers to provide environmental consultation through cross-border delivery. Other foreign environmental service providers may operate in China through a joint venture. China has also agreed to grandfather the existing level of market access already in effect at the time of China's accession for U.S. companies currently operating in China.

Insurance Services

China will reduce geographic restrictions and quantitative limits for insurance companies and expand the scope of business activities permitted for foreign insurers. China agreed to award licenses solely on the basis of prudential criteria. China has also agreed to grandfather the existing level of market access already in effect at the time of China's accession for U.S. companies currently operating in China.

Securities and Asset Management

Foreign securities firms may currently only trade in a limited number of stocks designated for foreign investors and then only via shared commissions. Upon accession, China will allow foreign firms to trade these shares with no Chinese intermediary. By three years after accession, foreign entities may establish securities joint ventures (JVs) with a minority equity share for foreign investors to underwrite all shares and corporate and government debt, and trade all these securities except those equity shares restricted to Chinese investors. Also upon accession, foreign entities may establish minority JVs to manage assets of all sorts.

Overview of China WTO Accession Benefits to the United States

The Agreement is a one-way deal that will open China's now largely closed market to U.S. exports. By enacting Permanent Normal Trade Relations (PNTR), the United States is merely maintaining the market access policies it already applies to China. If Congress enacts PNTR, the agreement is expected to provide a substantial boost for U.S. exports. If Congress fails to pass PNTR, American companies, workers and farmers will be denied the great bulk of benefits of the agreement the United States already negotiated—including broad new market access for critical services such as telecommunications and distribution, strong import protections, and the right to enforce China's commitments through WTO dispute settlement. Failure to enact PNTR means fewer U.S. exports to China. U.S. competitors in Europe, Asia and elsewhere will gain market share at the expense of U.S. exporters as these countries will enjoy the full benefits of China's market opening WTO commitments.

Deep cuts for tariffs in manufactured products sectors¹ affecting most U.S. exports—averaging an across-the-board 60 percent cut in tariffs for industrial products. Important gains include a 62.5 percent cut in tariffs for pulp, paper and printed material and elimination of tariffs for information technology products including electronics, telecommunications equipment, and computer equipment.

Tariff bindings for every sector. U.S. industries gain greater certainty of access with China's commitment not to raise tariffs on any products above the negotiated ceiling (bound) rates.

Huge reduction in paperwork costs—a boon to smaller exporters. Simplification, harmonization of customs procedures and licensing will slash costs of processing export orders.

Elimination of quotas and non-automatic licenses for all manufactured products by year 2005. Only a handful of quotas will remain after year 2003. While quotas are being phased out, the quota level will be higher than our current export levels and will increase by 15 percent each year until the quota is eliminated.

By joining the WTO, China is committing to establish a tariff-only import regime for **agricultural products**; all non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes, must be applied in a manner that is consistent with WTO rules requiring a transparent and nondiscriminatory system. All health-related restrictions must be based on sound science.

China also committed to implementing **agriculture tariff-rate quotas (TRQs)** on economic rather than political criteria. These commitments are designed to ensure a transparent and consistent system for allocating shares of the TRQ to end users and provisions to

ensure that quota-holders are not impeded in utilizing their allocations.

China has committed not to use **export subsidies** for agricultural products when it joins the WTO. This commitment is particularly useful for China's potential exports of corn, rice, and cotton, which in the past have displaced U.S. product from third-country markets.

Bilaterally, China agreed to the terms for removal of scientifically unjustified restrictions on importation of U.S. **wheat and other grains, citrus and meat.**

Foreign exchange balancing requirements—which link a company's level of imports to its level of exports—will be eliminated upon accession. This allows U.S. companies to make market-driven decisions about what to import and export instead of decisions driven by the Chinese government.

Local currency banking will be allowed starting with foreign clients upon accession, followed by Chinese enterprises two years after accession and Chinese individuals five years after accession. Foreign currency business will be allowed without geographic restrictions upon accession. China currently limits foreign banks to foreign currency business in selected cities.

Foreign securities firms may currently only trade in a limited number of stocks designated for foreign investors and then only via shared commissions. Upon accession, China will allow foreign firms to trade these shares with no Chinese intermediary. By three years after accession, foreign entities may establish securities joint ventures (JVs) with a minority equity share for foreign investors to underwrite all shares and corporate and government debt, and trade all these securities except those equity shares restricted to Chinese investors. Also upon accession, foreign entities may establish minority JVs to manage assets of all sorts.

Insurance licenses will be granted on a prudential basis, without numerical restrictions or discretionary economic needs tests. China currently only allows selected foreign companies (including four U.S. companies) to operate in China on a limited basis in only two cities.

Majority equity share for foreign non-life insurance entities will be permitted upon China's accession. Wholly owned subsidiaries will be allowed two years after accession. Life insurance joint ventures will be permitted at 50 percent equity share upon accession.

Easier access to and more control of distribution systems in China allowing U.S. companies to operate commission agents' services, franchising services, wholesaling, retailing and direct sales of their own products in three years post accession for almost all products.

Foreign companies will also be permitted greater control and access to other services related to distribution, including maintenance and repair, rental and leasing, advertising, technical testing and freight inspection, packaging, courier, storage and warehousing, and freight forwarding agency services.

The right to trade (import and export) will be permitted for almost all products within three years of accession. Currently, the right to trade is strictly limited; only companies that receive specific authorization or who import goods to be used in production have such rights.

Telecommunications services are currently not permitted to be supplied by foreigners in China. However, with its accession, China has agreed to allow foreign participation for both value-added and basic services. China has also agreed to undertake all the obligations contained in the WTO Reference Paper on pro-competitive regulatory principles. Telecom services which foreigners can supply under the Agreement include e-mail, voice mail, online information and database retrieval, facsimile, paging, cellular, and internet services via any technology including satellites.

Professional service providers will now be permitted to operate in China and receive national treatment for accounting, auditing, bookkeeping, management consulting, legal, tax consulting, architectural, engineering, and computer services.

The elimination of local content requirements will result in better access for U.S. exports and eliminate unfair incentives or requirements to use domestic goods.

U.S. exports and investments will be free from government-imposed conditions such as technology transfer, research and development in China, and offsets. Upon China's accession, such conditions may only be negotiated between the parties to a contract and not imposed or enforced by the government.

U.S. companies can sell their products in China and not be forced to export a certain percentage back to the United States or elsewhere. This eliminates the non-market incentive to use China as an export platform.

State-owned and state-invested enterprises will be required to buy and sell based on commercial considerations, making the purchase process more market-driven and transparent for U.S. companies and will provide new sales opportunities to U.S. firms.

China has agreed to establish **judicial review** procedures for the prompt review of all administrative actions relating to the implementation of laws, regulations, judicial decisions and administrative rulings related to its WTO obligations. The tribunals will be independent of the agencies entrusted with administrative enforcement.

Greatly improved enforcement of China's commitments through the WTO dispute settlement process. The United States will now have allies in other WTO members to address violations of international trade norms.

Current U.S. practice of using a special, non-market economy methodology when calculating dumping margins in **antidumping investigations** involving imports from China will remain in effect for 15 years. Chinese industries will continue to have the burden of proving to the U.S. government that market economy conditions prevail in their industry to avoid application of this methodology.

China will apply its trade-related laws **uniformly** throughout all of China including land and seaports.

China will be required to apply equally the value-added tax (currently at 17 percent for most products) to domestic goods as well as imports under the WTO **national treatment** provisions.

The United States will have access to a **product-specific safeguard mechanism** for 12 years which will allow the U.S. to address more easily any rapidly increasing Chinese imports in a targeted fashion in cases of actual or threatened market disruption to a U.S. industry.

China has agreed to incorporate into the WTO a **textile-specific safeguard** drawn from the U.S.-China Bilateral Textile Agreement.

¹For more information on tariff reductions, see tariff summary table.

ADDITIONAL INFORMATION AND ASSISTANCE

The reports for each of the 50 states are available at www.chinapntr.gov, as well as supplemental information on the benefits of China's membership in the World Trade Organization for U.S. industry and agriculture. Additional information on agricultural products is available from www.fas.usda.gov and speeches and testimony are provided on www.ustr.gov.

For counseling and assistance regarding exporting to China, call the Trade Information Center at 1-800-USA TRAD(E) or the Agriculture FAS Trade Assistance Office at 202-720-7420.

To discuss problems you are experiencing in exporting to China or a Chinese trade barrier you are encountering that is limiting your ability to export, please contact the Commerce Department's Trade Compliance Center. The fastest means to contact the Trade Compliance Center is the internet at <http://www.mac.doc.gov/tcc>. It can be reached also via e-mail (tcc@ita.doc.gov), fax (202-482-6097), or phone (202-482-1191).

Key Industry Tariff Reductions Resulting from the Agreement

Product Description	Average Base Rate ¹	Average End Rate ²	Percent Change	Product Description	Average Base Rate ¹	Average End Rate ²	Percent Change
Agriculture equipment	11.5	5.7	50.4	Nonferrous metals	9.3	6.6	29.0
Auto parts	23.4	10.0	57.2	Aluminum	14.2	9.4	34.0
Beer	70.0	0	100.0	Oil and fuel	7.4	4.9	33.7
Building materials	16.4	14.1	14.0	Paper and printing machinery	14.3	10.8	24.5
Glass fibers	16.0	7.0	56.2	Photographic equipment	19.4	14.7	24.2
Chemicals	11.1	6.9	37.8	Power generation equipment including batteries	13.4	8.5	36.6
Cosmetics	29.3	11.9	59.3	Precious metals	13.8	11.0	20.0
Fertilizers	5.0	4.0	20.0	Prefabricated buildings	22.0	10.0	54.5
Pharmaceuticals	9.6	4.2	56.2	Pulp, paper and printed material	14.4	5.4	62.5
Soda ash	9.0	5.5	38.8	Railway equipment	5.7	4.4	22.8
Civil aircraft	14.7	8.1	44.9	Recorded media	10.0	6.8	32.0
Compressors and pumps	15.5	9.0	41.9	Rubber products	14.5	11.4	21.4
Construction equipment	13.6	6.3	53.7	Rubber- and plastic-working machinery	15.7	7.7	50.9
Distilled spirits	60.8	34.2	44.0	Scientific and measuring equipment	12.1	6.1	49.6
Engines	12.4	7.9	36.2	Small household appliances	31.2	24.7	20.8
Environmental technologies equipment	13.4	6.9	48.5	Special purpose vehicles	17.4	12.4	28.7
Fish	20.5	11.4	44.3	Specialized machinery	14.0	8.4	40.0
Food processing machinery	13.5	9.8	27.4	Steel	10.3	6.1	40.7
Footwear	25.0	20.8	16.8	Telecommunications equipment not covered under ITA ⁴	24.0	17.2	28.3
Footwear machinery	11.5	8.4	26.9	Optical fibers	13.5	2.5	81.4
Furniture	22.0	0	100.0	Textiles and apparel	27.1	11.7	56.8
Heavy machinery	14.5	7.8	46.2	Synthetic yarn	18.1	5.0	72.3
Husbandry machinery	10.3	7.3	29.1	Toys	23.0	0	100.0
HVAC ³	24.3	15.2	37.4	Trailers	13.8	10.0	27.5
Information technology covered under ITA ⁴	13.5	0	100.0	Trucks	31.5	18.5	41.2
Laboratory machinery	12.9	10.2	20.9	Vending machines	23.0	13.6	40.8
Leather	18.7	16.2	13.3	Welding machines	14.8	9.8	33.7
Machinery parts	8.1	4.7	41.9	Wood	12.5	4.6	63.2
Medical equipment	9.9	4.4	55.5				
Metalworking machinery	15.1	11.4	24.5				
Molds	10.2	7.3	28.4				
Motorcycles	58.3	41.7	28.5				
Motor vehicles	75.9	23.6	68.9				
Passenger motor vehicles	84.1	25.0	70.0				

¹Average 1997–98 applied duties for each product category. Reductions will be made from the 1997–98 base rate for each tariff line. Most cuts will be made in equal annual increments.

²Average end rate for each product category which will be attained once China phases in all duty reductions agreed bilaterally with the United States. All reductions will be completed by January 1, 2008, with 70 percent of all reductions on industrial goods achieved by 2003 and 98 percent of all industrial duty reductions by 2005. China's agreements with other countries may result in lower rates and shorter staging.

³Includes heaters, ventilators, air conditioners, washers, refrigerators, centrifuges/dryers.

⁴WTO Information Technology Agreement (ITA), implemented in July 1997.

Key Agricultural Tariff Reductions Resulting from the Agreement

Product Description	Base Rate 1997-98 ¹	End Rate ²	Percent Change	Product Description	Base Rate 1997-98 ¹	End Rate ²	Percent Change
Beef	45	12	73.3	Pecans	35	10	71.4
Pork	20	12	40.0	Pistachios	35	10	71.4
Poultry	20	10	50.0	Cheese	50	12	76.0
Oranges	40	12	70.0	Lactose	35	10	71.4
Grapefruit	40	12	70.0	Ice cream	45	19	57.8
Lemons	40	12	70.0	Yogurt	50	10	80.0
Apples	30	10	66.7	Hop cone pellets	30	10	66.7
Cherries	30	10	66.7	Hop extracts	20	10	50.0
Grapes	40	13	67.5	Ginseng	40	10	75.0
Pears	30	10	66.7	Soybean flour	40	15	62.5
Peaches	30	10	66.7	Potatoes: Frozen			
Canned peaches	30	10	66.7	hash browns	25	13	48.0
Raisins	40	10	75.0	Potato flour, meal and flakes	30	15	50.0
Orange/grapefruit juices	35	15	57.1	Potato chips	25	15	40.0
Celery	13	10	23.1	Yellow grease	40	10	75.0
Lettuce	16	10	37.5	Soup	45	15	66.7
Cauliflower	13	10	23.1	Pet food	30	15	50.0
Broccoli	13	10	23.1	Wine	65	20	69.2
Frozen mixed vegetables	13	10	23.1	Protein concentrates	45	10	77.8
Frozen sweet corn	13	10	23.1	Water-based drinks with sugar	65	20	69.2
Tomato paste	25	20	20.0	Other water-based drinks	50	35	30.0
Tomato ketchup	30	15	50.0	Cigarettes	65	25	61.5
Almonds	30	10	66.7	Tobacco	40	10	75.0
Hazelnuts	35	10	71.4				

¹Base rate: 1998 current applied duty from which reductions will be made.

²End rate: End rate that will be attained by January 1, 2004, when China finishes phasing in all agricultural duty reductions agreed bilaterally with the United States. China's agreements with other countries may result in lower rates and shorter staging for some products.

Key Agricultural Tariff Rate Quotas (TRQ)

Product Description	Initial TRQ (million metric tons)	2004 TRQ (million metric tons)	Private Share (percent)	1999 Chinese Imports ³ (metric tons)
Wheat	7.3	9.6	10	448,000
Corn	4.5	7.2	25 growing to 40	70,000
Rice				168,000
Short/medium grain	1.3	2.6	50	
Long grain	1.3	2.6	10	
Cotton	0.743	0.9	67	46,000
Soybean oil ⁴	1.71	3.2	50 growing to 90	804,000

³Import data from China Customs Administration, on a calendar year basis.

⁴TRQ quantity and private share will be phased in by 2005. On January 1, 2006, China will eliminate the TRQ and state trading for soybean oil, with nothing but a 9 percent duty remaining.

Trade Stories

Century Elite International, Inc. (San Francisco) exports medical equipment to China. With its current database of 3,000 hospitals in China, Century Elite envisages significant potential in the Chinese market. However, the company has encountered problems regarding Chinese regulatory requirements applied to its medical devices. These regulatory problems include a long and arduous registration process and detailed testing information which U.S. manufacturers have been reluctant to reveal for fear that their technologies will be pirated. China's WTO accession will permit Century Elite to go directly to the end user when it sells its products, and it will provide the transparency needed for Century Elite's next project, which entails selling medical supplies over the Internet. China's WTO membership also requires it to uphold the rules in the Agreement on Trade-Related Aspects of Intellectual Property.

Coretest Systems, Inc. (San Jose) manufactures lab equipment for oil exploration and has been fairly successful in its sales to China over the past several

years. Approximately 10 to 15 percent of Coretest's annual revenues come from export sales to China, and Coretest recently concluded a \$200,000 deal for an oil exploration system exported to Daqing Oil. Coretest looks forward to implementation of the transparency and rule-of-law provisions of China's WTO agreement, which the company estimates over the long run will ameliorate the discrimination its products currently face in China.

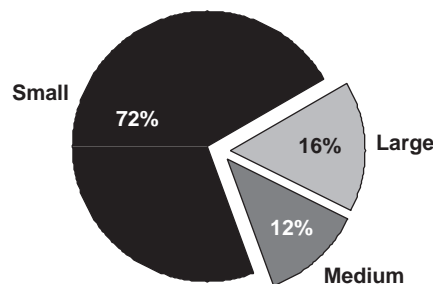
New Cal Development, Inc. (Monrovia) is a manufacturer/distributor of cosmetics which made its initial sample shipment of lipstick to China in 1999, according to company president Paul Kosycarz. While the first shipment accounted for revenues of \$1,000, New Cal anticipates "unlimited potential" for future growth with projected revenues reaching \$750,000 or more. New Cal has been an active exporter to Asia for many years (the ratio of overall exports to revenue was as high as 40 percent five years ago). Based on his experience, Mr. Kosycarz notes that China's adherence to the rules-based system of the WTO could help overcome many problems that could develop with his company's exports to China.

ROLE OF SMEs IN EXPORTS TO CHINA

Small and medium-sized enterprises (SMEs) are responsible for a growing share of U.S. exports to China.

- In 1997, SMEs generated 35 percent—more than one-third—of all U.S. merchandise exports to China. This figure is up significantly from a 28 percent share in 1992.
- The 35 percent SME share of the China market in 1997 was higher than the SME share of overall U.S. merchandise exports (31 percent) in that year.
- Over 80 percent of all firms exporting from California to China in 1997 were small or medium-sized enterprises (fewer than 500 employees).

Small & Medium-Sized Companies Account for 84 Percent Of All Firms Exporting From California to China



2,752 companies exported merchandise from California to China in 1997

Definitions: small = fewer than 100 employees; medium = 100–499 employees; large = 500 or more employees. Source: 1997 Exporter Data Base, U.S. Department of Commerce.